Here is an interesting article I found worth sharing. I urge regulators to look into the issues raised in this article, continue blocking AT&T T Mobil merger, and taking actions to protect consumers and the wireless market. What we need right now is an extension of the Carterfone rules allowing consumers to use any  phone with the carrier of their choice to the wireless market. Remember AT&T as Ma Bell tried to block Carterfone and fortunately failed. If they had succeeded the fax machine might not exist -- thanks regulators for mandating Ma Bell's original breakup and imposing wholesale open access. Now do it again for wireless and include Network Neutrality in wireless too.

The network neutrality / common carriage debate is one of the most important debates of our time. At stake is the freedom to innovate, the freedom to listen, and the freedom to speak. To date, arguments for or against common carriage have focused largely on the relationship between Internet service providers and content creators, but a new threat is emerging.

Companies like Facebook, Twitter and LinkedIn have unlocked new ways for people to connect, curate, and consume. They have changed and continue to change how we interact with the web ? how content is distributed, discovered, and delivered. But with the emergence of this new social layer comes a threat that rivals that posed by the great information monopolies of the 20th century ? AT&T, the Radio Trust and the Motion Picture Patents Company, companies known for price gouging, anti-competitive behavior, and the stifling of innovation.

I recently finished Tim Wu?s ?The Master Switch: The Rise and Fall of Information Empire.? For anyone interested in network neutrality, this book is an incredible primer. Beyond presenting a thoughtful analysis and historical review of the information industry, Wu provides a compelling read ? one might even call it a page-turner! If you haven?t yet, go buy it, and read it.

Network Neutrality

If you?re familiar with the basics of network neutrality, feel free to jump to my main argument below. If not, let?s start with Wu?s definition for common carriage:

At the heart of common carriage is the idea that certain businesses are either so intimately connected, even essential, to the public good, or so inherently powerful?imagine the water or electric utilities?that they must be compelled to conduct their affairs in a nondiscriminatory way.

As a simple example, if a man operates the only ferry over to town, that simple boatman is in a position of great power over other sectors of the economy, even the sovereign authorities. If, for example, he decided to charge one butcher more than another to carry his goods, this operator could bankrupt the one who didn?t enjoy his favor. The boatman is thus deemed to bear responsibilities beyond those of most ordinary businesses.

Reflecting on Wu?s review of information monopolies, one can extract two primary tendencies manifest in countless examples throughout history. First, like all institutions they follow a law of self-preservation. If the ferry owner senses a threat to his monopoly in an innovation outside of his control, he will do everything in his power to acquire or squash it.

See:

AT&T blocking third party innovations like Carterfone and Hush-A-Phone
RCA blocking the emergence of FM Radio
NBC and the FCC blocking the emergence of television
Second, information monopolies will always act to maximize profits, and will often do so at the expense of their ?riders.? If a passenger on the network is seen to reap significant profits on the back of the network, it is in the short-term interest of the monopoly to ransom network access for a share of those profits.

See:

The Motion Picture Patents Company consolidating control over film production and distribution by ransoming access to patent licenses and buying up independent theaters, ultimately leading to the independents? flight to Hollywood.
RCA buying up nascent radio networks to create a single national content creator and distributor.
The tenuous relationship between distribution channels and that which is being distributed is summarized neatly by Wu:

You cannot serve two masters, and the objectives of creating information are often at odds with those of disseminating it.

Social Network Neutrality

So what does this have to do with social networks like Facebook or Twitter?

Distributors, owners of ?the pipes,? will always have an incentive to maximize profit by way of price discrimination, or, if they choose to produce their own content, to prioritize their own goods ahead of or instead of those of their competitors.

Social networks are a critical layer of infrastructure for a wide variety of applications and content. Unlike physical networks, opportunities for lock-in emerge not at the physical layer but at the social layer: our connections. In other words, they do not wield monopoly control by dint of massive up-front fixed costs but rather by the accumulated value contributed by users in the form of the social graph!

Without access to our social connections, applications like Zynga, Turntable, and Spotify face significant barriers to entry ? both in terms of the product experience that they are able to deliver and their path to adoption via access to social promotional channels.

But will these social networks really exert their platform authority at the expense of competitors and users? The answer is that they already are.

Take the social gaming company Zynga, for example. The pace of Zynga?s growth has been mind-boggling. A significant portion of Facebook?s users spend a significant portion of their time on Facebook within Zynga?s games. When Facebook sensed a competitive threat emerging on their platform, they chose to reduce that threat by exerting their platform authority. Zynga was forced to give up 30% of their revenue to Facebook so that Facebook?s users could ?benefit? from one standardized currency experience. How?s this for a Risk Factor, from Zynga?s S-1:

Facebook is the primary distribution, marketing, promotion and payment platform for our social games. We generate substantially all of our revenue and players through the Facebook platform and expect to continue to do so for the foreseeable future. Facebook and other platforms have broad discretion to change their platforms, terms of service and other policies with respect to us or other developers, and those changes may be unfavorable to us.

Facebook has even gone to battle with Google over data portability. The most recent challengecoming by way of a Chrome Extension that allows you to import your Facebook friends into Google?s new social network, Google+.

Playing the white knight (or social underdog), Google has tended to act in the interest of data portability, but Google?s policy of ?we?ll let you import our contacts if you let us import your contacts,? reeks of data protectionism, and should be viewed with a healthy dose of skepticism, given Google?s own checkered past.

Google and Facebook are not alone. LinkedIn recently shut off API access to third party developers that they deemed competitive, including Monster and BranchOut, among others.

Not to be outdone, Twitter recently called on all third party developers to stop building Twitter clients. Said Twitter platform lead Ryan Sarver:

We need to move to a less fragmented world, where every user can experience Twitter in a consistent way.  This is already happening organically ? the number and market share of consumer client apps that are not owned or operated by Twitter has been shrinking.

A ?less fragmented world? sounds like code for ?consolidation.? Can Twitter really innovate faster than thousands of third-party developers? Can LinkedIn replace the value that companies like BranchOut and Monster were planning on providing to businesses and users? We?ll never find out, because Twitter and LinkedIn can respond to any such emergent innovation by shutting down access to their API.

What happens when an information monopoly attempts to centralize innovation? No organization has done it better than Bell Labs. They were so successful that they invented magnetic tape, used to power the computer revolution, as early as 1934! Writes Wu:

?The impressive technical successes of Bell Labs? scientists and engineers ? were hidden by the upper management of both Bell Labs and AT&T.? AT&T ?refused to develop magnetic recording for consumer use and actively discouraged its development and use by others.? Eventually magnetic tape would come to America via imports of foreign technology, mainly German.

But why would company management bury such an important and commercially valuable discovery? What were they afraid of? The answer, rather surreal, is evident in the corporate memoranda, also unearthed by Clark, imposing the research ban. AT&T firmly believed that the answering machine, and its magnetic tapes, would lead the public to abandon the telephone.

As a result of AT&T?s coverup, magnetic tape would not be ?discovered? until the 1990?s. Holy crap! Anyone else terrified?

So what happens next?

Certainly these companies should be able to reap the rewards of the network that they?ve built, but when those rewards come at the expense of the user experience, the troubling effects of lock-in become apparent.

This is just the beginning. What happens when Facebook or Twitter decide that it is too ?confusing? for users to see photos from Instagram posted to their network, instead of through Facebook Photos? What happens when Facebook decides that Foursquare check-ins next to Facebook Places check-ins are detrimental to the user experience? Or that Groupon?s daily deals shared through the Facebook platform are confusing for users who are most eager to find Facebook?s deals?

As these networks settle on and begin to expand their business models, the definition of ?competitor?

will expand commensurately. Monopoly power of these large networks, as owners of our now primary channels for distribution and communication, will only increase as they become an ever larger part of our lives.

It?s time to stop seeing these companies as mere applications. They are the 21st century version of AT&T, of RCA, of the Motion Picture Patents Company. The infrastructure of the social web has been consolidated into the hands of a few. With consolidation comes control, and with control comes an incentive to wield it over those deemed competitive threats to the ultimate prerogative: preservation of control.

Government agencies responsible for policing antitrust clearly have these companies on their radar, but history has shown that government is as capable of enabling information monopolies as it is of squashing them. Users must stand and be counted. We must demand portability, and we should vote with our attention when it is not delivered.

At stake is the future of the Internet, and if the Internet is social, then there is no less at stake than the future of social.